



CITY OF SAN ANTONIO

INTERNAL AUDIT DEPARTMENT

Audit of Parks and Recreation

San Jose Burial Park Fund

Project No. AU05-019

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Mark Swann CPA, CIA, CISA
Patricia M. Major CPA, CIA, CTP, CGFM
Jean Chen CPA, CIA, CISA
Benjamin Lopez

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Executive Summary

Overview

A review of the Permanent Maintenance Fund of the San Jose Burial Park (Burial Park) has been completed. The objectives of this project were to determine if the sources and uses of the Permanent Fund complied with City Ordinances and State Law, and if the Burial Park was operated in an efficient and effective manner. Fieldwork was conducted primarily from April through August 2005, with additional information obtained thereafter.

This review was designed to provide reasonable, but not absolute, assurance regarding the sources and uses of the fund for fiscal years 2003, 2004 and six months of 2005. This audit included a study of internal controls considered relevant in assessing risks and the control environment as established by Management. The study was based on discussions, review of selected documentation and site visits.

The report includes background information to assist the reader in understanding the Burial Park's services provided, applicable City Ordinances, and the perpetual care commitment by the City.

The Burial Park is located on Mission Road, comprising of approximately 130 acres that is owned by the City. It is managed by the Parks and Recreation Department (Parks Department) with an annual operating budget of \$0.5 million. It was selected for review due to substantial changes of fund balances in recent years and concerns about cash revenue control.

Results in Brief

The review disclosed that, although the City made a perpetual care commitment through City Ordinances by establishing itself as trustee of the Permanent Maintenance Fund, no strategic plan has been developed to fulfill this commitment. Currently, the \$1.6 million Permanent Maintenance Fund, as of September 30, 2004, does not seem to generate enough investment income to cover operating expenses of the cemetery. Based on the following issues, the City may be at risk of breaching its fiduciary trust responsibilities.

- Perpetual care is uncertain, with \$1.5 million operating losses over the last ten years
- Routine operating expenses are charged to the Permanent Maintenance Fund
- Burial records are inefficient
- Pricing for gravesites and other burial services is significantly lower than other cities' cemeteries
- Cash handling and revenue process controls need strengthening
- Forfeiture provisions are not initiated for delinquent accounts

The City Manager should determine if the City should continue to operate the Burial Park. A cost/benefit analysis, comparing in-house management to outsourcing Burial Park operations, should be performed. If the decision calls for internal management, it is essential to take immediate action to correct the following issues identified in this report:

- Perform a strategic plan to meet the City's perpetual care commitment going forward by working with City Departments, including Parks and Recreation, Finance, and Management and Budget
- Conduct a price survey with peer groups of other cities and private cemeteries on an annual basis prior to the development of the Department's budget
- Strengthen internal controls in the cash receipting and disbursement processes
- Collect from delinquent accounts or exercise forfeiture lot provisions
- Review capital and operating expenditures for the Permanent Fund, and reimburse the fund for inappropriate transfers

To evaluate the maturity of the Department's Management, five risk management capabilities were considered (i.e., strategies, processes, people, technology and information) as described in **Attachment 6**. Four of the five capabilities were deemed the most applicable to this audit.

Since the City has been managing the Burial Park since 1922, it was expected that professional management was exercised and internal controls were in place. However, the maturity level of operations was determined to be at an "Ad Hoc" stage in all four capabilities for the following reasons:

Risk Management Capability	Determining Factors
Strategies Capabilities	A vision and a plan lacks for the Burial Park's outlook and direction. Strategies and objectives do not exist, with specific goals. Management is not aware of, nor gathering, critical business information for sound management (e.g., cemetery capacity, number of burial lots sold or unsold, and future land development analysis).
Processes Capabilities	Although cash handling procedures have been established, controls are lacking to ensure that sales proceeds are accurate, deposited timely and intact, and secured properly.
People Capabilities	The Superintendent position, who oversees Burial Park operations on a daily basis, has been vacant since December 2004. The Interim Superintendent is inexperienced in the cemetery business. In addition, some staff members are performing conflicting duties in the cash handling process.
Technology Capabilities	Burial records are handled manually, including burial lot sales and inventories.

Background

San Jose Burial Park, comprising approximately 130 acres, is owned by the City of San Antonio and is located on Mission Road. The Parks Department is responsible for maintaining the cemetery and its daily operations. Burial Park Staff consists of a Superintendent, an Office Assistant and seven Ground Maintenance Workers. Currently, a Department Fiscal Manager serves as the Interim Superintendent.

The Burial Park sells gravesites on an immediate and pre-need basis. Single grave spaces and two-grave family lots are generally sold. Cash, checks, and money orders are accepted as form of payment for these sales. Family lots of three graves or more are sold through contracts. The contract terms require a cash down payment of one-fourth of the total value, with the balance to be paid in monthly installments that do not exceed twenty-four months. A twelve percent interest rate is charged on the unpaid balance. However, full payment is required before any of the gravesites can be used. Once the contract is paid in full, a deed to the lots is issued by the City Clerk's Office to the purchaser.

The Burial Park also provides interments, disinterments, extra-depth burials, late or Saturday funerals, and tent/chair rental services for a fee. No mortuary or crematory services are provided.

As described in **Attachment 1**, City Code 7-53 created a Permanent Maintenance Fund (Permanent Fund) to account for the perpetual care of the Burial Park. The Code mandates that the income from investments be used for maintenance and care of the cemetery, with the principal kept intact as a trust fund. The Code also requires that fifty percent of the revenue generated from the sale of lots be placed in the Permanent Fund to increase the principal. The remaining fifty percent of the proceeds should be placed in the General Fund to pay for current operating expenses.

Originally, the use of Permanent Fund investment income was for payment of non-operating expenses related to the cemetery. However, over the years, as shown in **Attachment 2**, it has undergone a series of amendments through the issuance of City Ordinances. In general, the investment income should be used for the following:

- (1) Equipment, materials, and supplies for maintaining cemetery records and their safety
- (2) Development of the road network
- (3) Development of the irrigation system
- (4) Resetting of tombstones
- (5) Permanent improvements of cemetery office facilities
- (6) Cemetery maintenance equipment with an expectancy use of one year or more
- (7) Any other general care and maintenance expenditures as may be permitted by Texas Statutes governing the establishment, maintenance, and use of Trust Funds for perpetual care of cemeteries
- (8) Personnel, labor, and contractual commodity costs associated with the maintenance and upkeep of the graves and the beautification of the Burial Park

The Health and Safety Code, Chapter 713 - Local Regulation of Cemeteries requires that the investment income be used for the maintenance and care of the cemetery in a first-class condition. Revenue that is generated in excess of the amount necessary to faithfully accomplish the trust may be used, at the discretion of the trustee, to beautify the entire cemetery or burial grounds.

City Ordinance 86489 in 1997 substantially broadened the Department's authority on the use of investment income, as well as the accounting and operations of the Permanent Fund. To understand the operating trend of the Burial Park, **Exhibits A, B and C** are included in the report to reflect the combined revenue and expenditures for fiscal years 1995 through 2004. Overall, the exhibits show that the Burial Park has been operating at a net loss for the past ten years. It also reflects a significant shift in expenditures from the General Fund to the Permanent Fund. However, the allocation of revenue from the sale of gravesites has not been changed to match these expenses.

Audit of Parks and Recreation Department
San Jose Burial Park

Exhibit A

Permanent Maintenance Fund of the San Jose Burial Park

Description	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Cemeteries - Interment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Occupancy										
Cemeteries - Sale of Lots	39,857	28,966	21,559	22,955	21,767	26,222	25,624	41,388	89,014	96,591
San Jose Interments	-	-	-	-	-	-	-	-	-	-
Cemeteries - Rental of Equipment	-	-	-	-	-	-	-	-	-	-
Foundation Sales	-	-	-	-	-	-	-	-	-	-
Special Care	-	-	-	-	-	-	-	-	-	-
Interest on Time	150,758	155,358	176,223	184,084	178,403	210,970	194,889	63,798	35,049	25,983
Special Labor	-	-	-	-	-	-	-	196	-	-
Total Revenue	190,615	184,324	197,782	207,039	200,170	237,192	220,513	105,382	124,063	122,574
Salaries, including benefits	-	-	80,855	89,675	100,365	111,061	108,278	337,153	312,844	307,058
Equipment, Maintenance and Repairs, Rental, and Fuel	51,021	20,432	2,381	11,757	7,749	14,102	9,709	91,395	30,845	33,341
Insurance	-	-	-	2,260	-	460	343	3,127	-	-
Utilities	-	-	-	-	-	-	-	7,786	19,381	19,615
Other	-	904	1,885	618	1,665	4,255	2,309	26,308	33,229	43,390
Transfers	-	-	36,755	7,867	8,182	9,012	13,858	18,404	47,799	33,583
Fixed Asset Purchases	-	-	-	-	-	-	18,800	195,841	3,560	3,702
Total Expenses	51,021	21,336	121,876	112,177	117,961	138,890	153,297	680,014	447,658	440,689
Net Surplus (Deficit)	139,594	162,988	75,906	94,862	82,209	98,302	67,216	(574,632)	(323,595)	(318,115)
Beginning Balance	-	3,114,698	3,277,686	3,353,592	3,448,454	3,530,663	3,628,965	3,696,181	3,121,549	2,797,954
Ending Balance	\$ 3,114,698	\$ 3,277,686	\$ 3,353,592	\$ 3,448,454	\$ 3,530,663	\$ 3,628,965	\$ 3,696,181	\$ 3,121,549	\$ 2,797,954	\$ 2,479,839

Source: FAMIS Report No. 66 - Revenues and Expenditures by Fund and Project

Exhibit B

General Fund for City Cemeteries

Description	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Cemeteries - Interment	\$ 2,975	\$ 3,200	\$ 2,050	\$ 2,425	\$ 700	\$ 2,550	\$ 1,650	\$ 1,850	\$ 300	\$ 400
Occupancy										
Cemeteries - Sale of Lots	40,107	28,965	21,558	22,955	21,767	26,222	25,624	41,808	89,313	106,163
San Jose Interments	56,315	56,075	57,725	68,550	64,150	50,925	55,750	50,400	89,150	93,591
Cemeteries - Rental of Equipment	15,679	15,210	13,595	14,190	15,475	14,700	17,600	16,627	24,711	28,411
Foundation Sales	11,651	12,416	10,357	12,149	13,196	16,327	13,278	18,464	21,174	22,039
Special Care	72	72	72	72	72	72	72	72	72	72
Interest on Time	1,093	998	997	528	560	544	555	695	1,558	2,706
Special Labor	8,150	7,415	7,150	6,550	5,650	8,375	9,200	10,291	13,750	14,458
Total Revenue	136,042	124,351	113,504	127,419	121,570	119,715	123,729	140,207	240,028	267,840
Salaries, including benefits	302,629	317,977	198,598	207,305	247,550	243,080	226,474	68,780	32,785	1,783
Equipment, Maintenance and Repairs, Rental, and Fuel	17,988	21,682	19,006	23,844	33,954	32,168	27,059	12,721	-	-
Insurance	30,180	32,160	25,480	17,090	17,720	14,320	10,741	2,703	10,927	10,927
Utilities	13,255	13,236	12,939	15,734	17,779	19,924	20,793	16,205	9,323	7,208
Other	10,387	14,782	10,030	11,957	15,210	20,140	22,306	7,945	10,650	250
Total Expenses	374,439	399,837	266,053	275,930	332,213	329,632	307,372	108,354	63,685	20,168
Net Surplus (Deficit)	\$ (238,397)	\$ (275,486)	\$ (152,549)	\$ (148,511)	\$ (210,643)	\$ (209,917)	\$ (183,644)	\$ 31,853	\$ 176,343	\$ 247,672
Cumulative Surplus (Deficit)	\$ (238,397)	\$ (513,883)	\$ (666,432)	\$ (814,943)	\$ (1,025,586)	\$ (1,235,503)	\$ (1,419,147)	\$ (1,387,294)	\$ (1,210,951)	\$ (963,279)

Source: FAMIS Report No. 66 - Revenues and Expenditures by Fund and Project

Exhibit C

**Combined Revenue and Expenditures
San Jose Permanent Maintenance Fund and General Fund**

Description	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Permanent Maintenance Fund	\$ 190,615	\$ 184,324	\$ 197,782	\$ 207,039	\$ 200,170	\$ 237,192	\$ 220,513	\$ 105,382	\$ 124,063	\$ 122,574
General Fund	<u>136,042</u>	<u>124,351</u>	<u>113,504</u>	<u>127,419</u>	<u>121,570</u>	<u>119,715</u>	<u>123,729</u>	<u>140,207</u>	<u>240,028</u>	<u>267,840</u>
Total Revenue	326,657	308,675	311,286	334,458	321,740	356,907	344,242	245,589	364,091	390,414
Permanent Maintenance Fund	51,021	21,336	121,876	112,177	117,961	138,890	153,297	680,014	447,658	440,689
General Fund	<u>374,439</u>	<u>399,837</u>	<u>266,053</u>	<u>275,930</u>	<u>332,213</u>	<u>329,632</u>	<u>307,372</u>	<u>108,354</u>	<u>63,685</u>	<u>20,168</u>
Total Expenditure	<u>425,460</u>	<u>421,173</u>	<u>387,929</u>	<u>388,107</u>	<u>450,174</u>	<u>468,522</u>	<u>460,669</u>	<u>788,368</u>	<u>511,343</u>	<u>460,857</u>
Net Surplus (Deficit)	<u>\$ (98,803)</u>	<u>\$ (112,498)</u>	<u>\$ (76,643)</u>	<u>\$ (53,649)</u>	<u>\$ (128,434)</u>	<u>\$ (111,615)</u>	<u>\$ (116,427)</u>	<u>\$ (542,779)</u>	<u>\$ (147,252)</u>	<u>\$ (70,443)</u>
Cumulative Surplus (Deficit)	<u>\$ (98,803)</u>	<u>\$ (211,301)</u>	<u>\$ (287,944)</u>	<u>\$ (341,593)</u>	<u>\$ (470,027)</u>	<u>\$ (581,642)</u>	<u>\$ (698,069)</u>	<u>\$ (1,240,848)</u>	<u>\$ (1,388,100)</u>	<u>\$ (1,458,543)</u>
Personnel Actual	-	-	4	4	4	4	4	8	9	9

Source: FAMIS Report No. 66 - Revenues and Expenditures by Fund and Project

Criteria

During the review, the following criteria was used to determine compliance of the Burial Park's operations and expected conditions:

- The Health and Safety Code, Chapter 713 - Local Regulation of Cemeteries
- City Ordinances related to the Burial Park
- Parks Department procedures
- Burial Park's contracts for sale of burial lots

Audit Objectives and Scope

The objectives of the audit were to determine if the sources and uses of the Permanent Fund complied with City Ordinances and State Law, and if the Burial Park was operated in an efficient and effective manner.

The audit scope covered fiscal years 2003, 2004, and six months of 2005.

Methodology

The methodology used for this project, generally, included the following:

- Gathering information and documentation from the Burial Park for review
- Performing site visits to the Burial Park to observe operations
- Conducting risk and control analysis
- Conducting interviews of Burial Park personnel, including staff from the Parks and Recreation Department
- Sampling by statistical and judgmental methods to select transactions for testing
- Comparing fees charged by the Burial Park with other Cities' cemeteries

The review was performed in compliance with generally accepted government auditing standards issued by the U.S. Government Accountability Office.

Observations and Recommendations

The Burial Park is a relatively small operation within the Parks Department that has an annual operating budget of approximately \$0.5 million. The City of San Antonio made a perpetual care commitment through City Ordinances. This audit identified lack of adequate controls in the business processes for cash revenue and sales. Specific observations are explained in more details below.

1. Uncertainty to provide perpetual care

The City of San Antonio established itself as trustee of the Permanent Fund through the issuance of City Ordinance 86489 in 1997. However, no strategic plan has been developed to fulfill its commitment to the Burial Park. This conclusion is based on the following issues:

1.1 Investment income generated is not sufficient for perpetual care

The Burial Park has been operating at a loss between fiscal years 1995 and 2004, as shown in **Exhibit E**. Additional analyses regarding Burial Park operations are presented in **Attachment 5A** through **5D**. It appears that this negative trend will continue in subsequent years if operations are not significantly improved in the near future. As shown in **Exhibit C**, total losses for this period were approximately \$1.5 million.

Losses in fiscal years 1995 through 2001 were absorbed by the Department's other General Fund resources. In fiscal year 2002, the Parks Department made a budget change in which all operating expenses related to the Burial Park were paid out of the Permanent Fund, instead of the General Fund. This decision caused a substantial negative impact on the fund balance of the Permanent Fund. While the principal has increased due to the sale of burial lots, the accumulated investment income drastically decreased from \$2.4 million in fiscal year 2001 to \$0.9 million in fiscal year 2004, as shown in **Exhibit D**. Department Management explained that this practice was in compliance with City Ordinances 64612 and 86489, which were approved by City Council in 1987 and 1997, respectively. Management believes that these City Ordinances allowed operating expenses to be charged to the Permanent Fund.

**Exhibit D Parks and Recreation Department
San Jose Burial Park - Permanent Maintenance Fund
Fiscal Years 2001 through 2004**

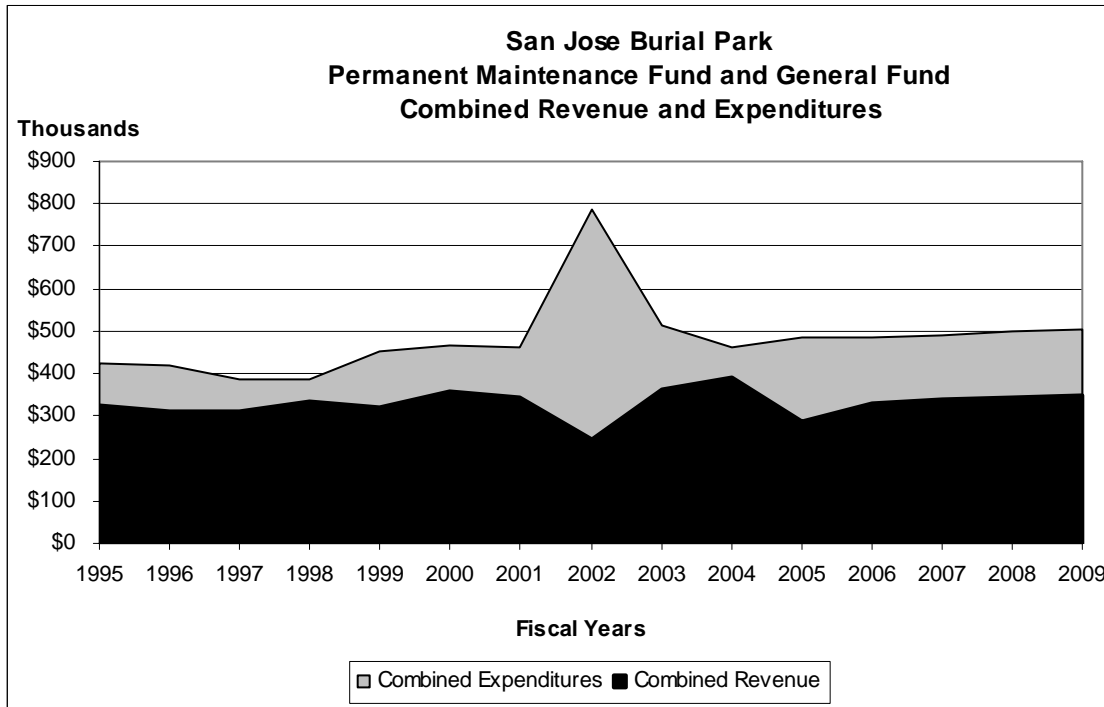
Fiscal Year	Total Permanent Maintenance Fund	Principal Balance	Accumulated Investment Income Balance	Reserved for Encumbrance
2001	\$ 3,696,181	\$ 1,336,284	\$ 2,358,897	\$ 1,000
2002	3,121,548	1,377,671	1,740,048	3,829
2003	2,797,953	1,500,433	1,293,691	3,829
2004	2,479,839	1,600,676	877,464	1,699

Source: City's Comprehensive Annual Financial Report (CAFR)

The principal of the Permanent Fund increased from \$1.3 million in fiscal year 2001 to \$1.6 million in fiscal year 2004. This amount is expected to continue growing modestly from the sale of gravesites in the future. Department Management, however, does not have records to determine the inventory of gravesites available for sale or the potential for future development.

Based on the investment income trend and the current expense level, the Permanent Fund will not generate enough revenue for the perpetual care and/or maintenance of the 130-acre cemetery in the near future.

Exhibit E



Source: FAMIS Report No. 66 - Revenues and Expenditures by Fund and Project for fiscal years 1995 through 2004
Proposed Budget for fiscal years 2005 through 2009

1.2 Manual burial records are maintained

Burial information is manually typed on card files for each gravesite sale. The card files are maintained by date of death, burial block, and the deceased's name. This information is individually typed on three cards. In today's business environment, maintaining manual records is inefficient, ineffective, and outdated. Multiple typing of the same information is time consuming and increases the margin for error.

Cemetery records have permanent value and are retained indefinitely. Paper records expose the City to a great number of risks, such as normal wear and tear from gradual deterioration of paper over time. There are also risks of damage from water, fire, humidity, and pest infestations.

Furthermore, these manual records are unavailable to the public. Department Management's plan was to place the database of burial records on the City's website for public inquiry.

Risks

The Permanent Fund will not generate sufficient income for the maintenance and care of the Burial Park. The City will have to subsidize expenses from the General Fund to fulfill its perpetual care commitment to the Burial Park.

Manual records are inefficient and ineffective for this business operation. If the cards were destroyed, it would be nearly impossible to determine the ownership of unoccupied lots and incredibly expensive to reconstruct data related to occupied lots. This business continuity issue is significant for such a small operation.

A triplicate manual record system is unnecessarily expensive when compared to computer records. Computer records not only address concerns regarding business continuity but also increases efficiency of operations.

Recommendations

The City Manager needs to determine strategically how the City will meet its commitment going forward. She should direct appropriate City Departments: Parks and Recreation, Finance, and Budget to develop a business plan that can appropriately fund the perpetual care for the Burial Park.

Parks Management should assign someone to convert the manual burial records to electronic format, such as a database. A database for the old City cemetery had been developed by volunteers for the City's Library System. The template for this database could be used as a starting point to automate the Burial Park's records.

Additionally, a duplicate copy of original burial records should be maintained off-site to ensure business continuity.

2. Burial Park's charges and fees are lower than market

Gravesite sales are the major source of revenue for the Burial Park, with fifty percent from these proceeds as the only source of trust principal. Revenue from funeral services, such as interments, is the second largest source of income. For purposes of evaluating revenue, the Burial Park's charges and fees were compared to those of other cities and a privately owned local cemetery. **Exhibit F** shows that the Burial Park charges the lowest prices among the cemeteries reviewed. Given the fact that the Burial Park is operating at a loss, a more aggressive pricing strategy should help resolve this.

Exhibit F Municipal and Private Cemetery Charges and Fees

Description	City of San Antonio, TX	City of Austin, TX	City of Manchester, NH	City of Richmond, VA	City of Welland, CA	Privately Owned San Antonio, TX
Sale of Gravesites:						
Single grave space - adult	\$550	\$850, \$950, and \$1,175	\$850	\$690	\$400 - Resident \$600 - Non-resident	\$915 and up
Single grave space - child	\$125	\$200	Not Available	\$325	Not Available	Not Available
Family grave space	\$550 and \$650 (minimum purchase of 2 spaces)	Not Available	Not Available	Not Available	\$1,000 - Resident \$1,500 - Non-resident	\$1,568
Cremation grave	Same price as single grave space for adult and child	\$200	\$600	Not Available	Not Available	Not Available
Other Burial Services:						
Interment - adult	\$350 - Regular depth 5' \$450 - Extra depth 7'	\$510 - Weekdays	\$600	\$850 - Weekday \$960 - Saturday \$1,020 - Holiday \$960 - Double depth	\$385 - Resident \$578 - Non-resident	\$895 - Regular Free - Saturday 8am to 1pm \$100 - Saturday after 1pm No additional charge for extra depth
Late Funeral Services	\$75 - Weekday after 3:30pm \$200 - Saturday 9am \$250 - Saturday 11am \$300 - Saturday 1pm \$350 - Saturday 3pm	\$575 - Weekday after 3pm \$580 - Saturday before 3pm \$650 - Saturday after 3pm \$775 - Sunday before 3pm \$800 - Sunday after 3pm Holiday \$600	Not available	\$285 - After 3pm \$320 - After 4pm \$345 - After 4pm	\$440 - Weekend or Weekday after 3pm and Saturday \$550 - Sunday or Holiday \$660 - Non-resident (Saturday) \$825 - Non-resident (Sunday or Holiday)	Not available
Interment - child or cremated remains	\$100 - Interment of child \$150 - Interment of Cremains	\$140 - Weekdays before 3pm \$200 - Weekdays after 3pm \$200 - Saturday before 3pm \$270 - Saturday after 3pm \$390 - Sunday before 3pm \$435 - Sunday after 3pm \$200 - Holidays	\$400	\$435 - Weekday \$530 - Saturday \$660 - Holiday	Not available	Not available
Disinterment - adult	\$350 - Regular depth 5' \$450 - Extra depth 7'	\$575 - Adult (excluding raising of vault) \$190 - Infant (excluding raising of vault) \$200 - Raising of vault	Not available	\$1,020	\$600	Not available

Source: San Antonio, TX – Price list displayed at the San Jose Burial Park as of October 1, 2004
City of Austin, TX – 2004-05 Fee Schedule on the City's web site
Privately Owned Cemetery in San Antonio, TX – Telephone inquiries in June 2005
Other Cities – Inquiries through the Association of Local Government Auditors in June 2005

Risks

The City depends on the principal of the Permanent Fund to generate sufficient income to meet its perpetual care commitment. Under-pricing gravesites slows down the growth of the Permanent Fund. That, in turn, impairs the City's ability to provide future perpetual care.

Recommendations

The Parks Department should conduct a price survey with peer cities and private cemeteries. A comprehensive schedule of fees and charges that recovers the appropriate expenditures estimated for the Burial Park should be developed. This schedule should be updated annually.

3. Cash handling and revenue business process controls need strengthening

The Burial Park collected approximately \$400,000 over the counter and through mail for fiscal years 2003 and 2004. For each sale transaction, a cash or check payment was collected, amounts were recorded in the accounting system, and burial lot information was entered on the card files. A review of the cash handling and revenue business processes indicated that controls were either lacking or not adequate, as detailed below:

3.1 Conflicting duties are not segregated

The responsibilities for selling burial lots, recording sales in the accounting system, and preparing bank deposits are not properly segregated. Allowing a person access to cash, accounting records, and reconciliations create a potential for fraud, theft and abuse. However, due to the limited staff at the Burial Park office, reasonable separation of duties presents some difficulties.

3.2 Burial Park's cash handling procedures are not adequate

A judgmental sample of thirty sales was selected from approximately 400 sales from fiscal year 2003. Eleven of these transactions could not be traced to a supporting receipt. Proper internal controls would have required that sales be reconciled to accounting records and bank deposits on a daily basis to ensure the completeness and accuracy of information.

3.3 Manual cards are not pre-numbered

The manual cards used to maintain burial records are not pre-numbered. Without this control, there is no assurance that all sales transactions were accounted for appropriately. Furthermore, these transactions have never been reconciled to the accounting system and/or bank deposit slips.

3.4 Cash receipts are not deposited daily

The Burial Park's deposit and transporting procedures allow unnecessary accumulation of funds. Currently, cash receipts are deposited weekly or less often. Delayed deposits create opportunities for funds to be misplaced, lost or stolen. Also, potential for earning of interest is diminished.

3.5 Cash receipts are not properly safeguarded

Although daily receipts are stored in a safe, there are three employees (i.e., the Office Assistant, the Interim Superintendent and the Cemetery Service Crew) with the combination to the safe. In case of missing funds, it would be difficult to identify the individual responsible for the loss. In addition, until recently, the combination to the safe had not been changed for at least four years. Several employees have retired or separated from City employment during this time with knowledge to the combination. Furthermore, the safe is located in plain view of customers. This presents a security risk.

3.6 Sales price amounts are not in accordance with City Ordinance 99752

Prices for gravesites and services are prescribed by City Ordinance 99752. A judgmental sample of thirty sales transactions was selected from the Burial Park's card files for testing. As shown in **Exhibit G**, the results showed that eight of the thirty sales selected were not in accordance with sales price amounts in the City Ordinance.

Exhibit G San Jose Burial Park Sales Price Discrepancies			
Sales Price per City Ordinance 99752 Effective 9/16/04	Amount Charged	Number of Exceptions	Over (Under) Charges
\$350 per interment - regular depth for adults	\$500 for two adults	1	(\$ 200)
\$75 per interment - extra deep for adults	\$100 per interment	<u>7</u>	<u>175</u>
Total Variances		<u>8</u>	<u>(\$ 25)</u>

3.7 Free funeral services were provided

In 2003, it was noted that two funeral services were provided for free. In both instances, fees for an interment with tent/chair use worth \$400 and tent/chair use valued at \$100 were waived. Burial Park personnel explained that the transactions were conducted under the instruction of the former Superintendent. They recalled that one of the funeral services was for a deceased City employee.

This issue was brought to the attention of Department Management in April 2005. Neither the City nor Departmental procedures allow for discounted or free services. It appeared that approval was not obtained from the Department Director for these transactions.

Risks

Lack of appropriate internal controls in the cash handling and revenue process provides opportunities for errors and fraudulent activities; especially, where minimal supervision is present.

Recommendations

Parks Department Management needs to improve the internal control environment for the cash handling, revenue, and sales processes. Specifically, the following areas should be addressed:

- Enhance training on cash handling procedures
- Stress supervisor's responsibilities and accountability
- Involve Department Management in monitoring and oversight activities
- Enforce daily deposit of revenue and cash security

4. Contract sales are not managed appropriately

Previously, gravesites were sold on contracts that required a cash down payment of one-fourth the total value of the lot with the balance due in monthly installments not to exceed twenty-four months. A twelve percent annual interest rate was assessed on the unpaid balance. As of September 30, 2004, there were 73 contracts with an outstanding balance of \$65,000.

Burial Park personnel maintain these contract sales in a ledger book. When a payment was received, the principal and interest were manually calculated and recorded in the ledger book. Due to difficulties in implementing controls, Department Management decided to discontinue contract sales in 2004. However, the existing contracts were noted with significant control problems.

4.1 Numerous errors were noted with sales contracts

A recalculation was performed to determine the accuracy of the account balances as of September 30, 2004. Numerous differences in posting of payments, interest calculations, and early payoff amounts were found between the recalculated balance and the Departmental book balance.

Discrepancies were also noted between the book balances and the accounts receivable submitted for the 2004 year end reporting. Although the total accounts receivable balance was only understated by \$5,800, the number of errors identified were excessive.

A judgmental sample of ten out of 73 contracts was selected for detailed review. Nearly all sample items tested had multiple errors, as described below.

- The year-end accounts receivable balance was overstated due to interest income being prematurely counted
- New contracts were not drawn for customers purchasing additional lots, sales were simply added to the original contract
- One contract was set up for 36 monthly installments, instead of the prescribed 24 months
- A one-fourth down payment for the value of the lots was not received for one contract
- Payments made on three contracts did not agree with accounting records
- Five of ten contracts were not accurately completed

Other issues were also noted (i.e., contract language has not been updated since 1980 and twelve contracts could not be located for review).

4.2 Forfeiture provisions were not implemented

Of the 73 contracts, sixteen contracts totaling \$14,000 were seriously delinquent. As of August 24, 2004, no payment activities had occurred for about one to five years. The contracts signed by customers had forfeiture provisions, in case of delinquency over 90 days, which were not initiated by the City.

Risks

Significant weaknesses in contract management open opportunities for errors, fraud, theft, and abuse. It also does not ensure the completeness and accuracy of external financial reporting.

Recommendations

Parks Department Management should work with the City Attorney to effectively forfeit payments for seriously delinquent accounts. Second, the City Manager should instruct the Parks Department to work with the Finance Department to determine if any delinquent accounts are collectible. Lastly, Department Management should designate an employee to monitor the contracts until they are paid off. The review should ensure that contract accounts are current and payments are recorded correctly.

5. Questionable use of the Permanent Fund

5.1 Routine operating expenses are charged to the Permanent Fund

Substantial Permanent Fund losses occurred in fiscal year 2002, which continued through fiscal year 2004. This was due to a change in reporting Burial Park expenditures. Although all expenditures related to the Burial Park were transferred to the Permanent Fund from the General Fund, revenue generated from the sale of lots did not follow suit. As such, fifty percent of the lot sales were placed in the Permanent Fund and the remaining fifty percent, and service fees, were placed in the General Fund.

For example, salaries of \$237,000, \$219,000 and \$208,000, excluding related fringe benefits, were paid from the Permanent Fund in fiscal years 2002, 2003, and 2004, respectively. Approximately, 22 percent, 25 percent, and 11 percent of these amounts, respectively, were overtime pay for providing late or weekend funeral services for these years. Yet, fees collected for these services were recorded in the General Fund.

In addition, indirect costs for providing support services to the Burial Park by the City's administrative personnel were charged to the Permanent Fund. While these costs could be related to the Burial Park, they may not be for the perpetual care committed by the City. Most of these costs did not appear allowable in accordance with City Code 7-53. **Exhibit H** shows \$175,460 in indirect costs that were paid by the Permanent Fund over the last ten fiscal years.

**Exhibit H - Permanent Maintenance Fund of the San Jose Burial Park
Indirect Costs for Fiscal Years 1995 through 2004**

Fiscal Year	Amount
1995	\$ -
1996	-
1997	36,755
1998	7,867
1999	8,182
2000	9,012
2001	13,858
2002	18,404
2003	47,799
2004	33,583
Total	<u>\$ 175,460</u>

Source: FAMIS Report No. 66 - Revenues and Expenditures by Fund and Project

5.2 Permanent Fund monies are not physically segregated

City Code and State Law requires the City to place the Permanent Fund in a trust fund separate from other monies. However, all proceeds from lot sales and investment income generated by the Permanent Fund are deposited by the Burial Park into one bank account. A separate bank account is not kept for the Permanent Fund. Accounting entries are made once a year to designate a portion of these funds as the "principal" amount of the Permanent Fund.

The purpose of a trust fund is to protect these monies from general creditors of the City. The City should have physically separated these funds when it established itself as trustee of the Permanent Fund.

Risk

The City could be in breach of its fiduciary duties and responsibilities as the fund trustee.

Recommendations

The Finance Department Director should establish a trust bank account for the Permanent Fund.

The Parks Department should work with the Finance Department to reimburse the Permanent Fund for expenses that were inappropriately paid from it. Going forward, the Finance Department should monitor and ensure that expenses are correctly charged to the Permanent Fund.

6. Expenditure control weaknesses exist

A random sample of thirty-two purchases was selected for testing to determine if they were related to the maintenance and care of the Burial Park, if amounts were properly supported, and if expenses were properly coded in the general ledger. The following issues were identified:

6.1 Other City cemetery purchases were paid by the Permanent Fund

Two purchases related to the old City cemetery were improperly made from the Permanent Fund. One purchase was \$235 for concrete mix and the other was \$1,786 for water and sewer fees. These expenses should not be charged to the Burial Park's accounts.

6.2 The Interim Superintendent approves her own procurement card purchases

The Interim Superintendent has a purchasing card with a transaction limit of \$1,500. Support documentation reflects that she approves her own purchases. Also, copies of invoices were occasionally used as supporting documentation, rather than original invoices.

6.3 Overtime approval was not documented

Employees who work overtime in performing interment/disinterment services are required to complete an Overtime Form and obtain prior approval from the Superintendent. Five of fifteen overtime payments or 30 percent tested did not have prior approval.

6.4 General controls over fixed assets should be strengthened

The Burial Park has not conducted a physical inventory in the last two years. According to Department Management, the Purchasing Department instructed them not to perform a physical inventory due to implementation of the ERM/SAP System.

Fixed asset records have not been updated and contain significant errors. The records show \$0 as the purchased amount for assets with incorrect acquisition dates. Several items listed that are no longer used, or idle in storage, were still carried on the fixed asset records by the Burial Park. Also, a Gateway personal computer purchased for the Department could not be located.

Department Management indicated that assets under the \$1,500 threshold were no longer inventoried after the ERM/SAP System was implemented. Capitalization requirements should not deter Departments from tracking controlled assets that are subject to personal use, such as string trimmers, chain saws, ladders, and mowers.

Risks

Lack of appropriate asset and expenditure controls allow for potential improprieties by employees. Assets could be lost or stolen without being detected.

Recommendations

Parks Department Management should implement the following management controls:

- Enhance expenditure review, including the appropriateness of expenditures charged to the Permanent Fund
- Require that purchasing card transactions be approved by a level of Management higher than the cardholder
- Enforce overtime approval procedures
- Safeguard capitalized and non-capitalized assets, such as personal computers, copiers and expensive tools
- Conduct annual physical inventories, including the maintenance of accurate and complete fixed asset records

Attachment 1

City Code Section 7- 53 Permanent Maintenance Fund

Hereby is created a fund which shall be known as the "Permanent Maintenance Fund of the San Jose Burial Park." All income derived from the sale of lots, parts thereof, or single graves, shall be divided so that fifty (50) percent thereof shall be placed in the Permanent Maintenance Fund of the San Jose Burial Park.

- (a) Permanent Maintenance Fund monies and any income earned thereon shall be held in trust by the city.
- (b) The remaining fifty (50) percent shall be placed in the General Fund to assist in defraying current and future operating expenses.
- (c) The principal of the fund shall be kept intact as a principal trust fund and shall not be expended. The income or revenue of the fund shall be used for the maintenance and care in a first-class condition of the graves, lots and burial places for which the funds were deposited. Income or revenue of the fund that is more than the amount necessary to faithfully accomplish the trust may be used, in the discretion of the City Manager, for expenses as provided below, both for the care and maintenance of the graves and to beautify the entire cemetery and burial grounds:
 - (1) Equipment, materials, and supplies for maintaining accurate cemetery records, and for safety therefore from the elements
 - (2) Development of road network
 - (3) Development of the irrigation system
 - (4) Resetting of tombstones
 - (5) Permanent improvements of cemetery office facilities
 - (6) Cemetery maintenance equipment having a normal use of expectancy of one year or more
 - (7) Any other general care and maintenance expenditures as may be permitted by State of Texas statutes governing the establishment, maintenance, and use of trust funds for perpetual care of cemeteries
 - (8) Personnel, labor, and contractual commodity costs associated with the maintenance and upkeep of the graves and the beautification of the San Jose Burial Park

(Code 1950, § 10-28; Code 1959, § 9-24; Ord. No. 39758, § 5, 7-29-71; Ord. No. 64612, § 1, 2-26-87; Ord. No. 86489, § 1—3, 8-28-97)

Attachment 2

City Ordinances Related to the San Jose Burial Park Fund

Ordinance Number	Date of Ordinance	Description
99752	9/16/2004	Amending fees charged for interment and disinterment services
99739	9/16/2004	Amending optional service charges for tent, chairs, etc. to \$150.00 and for vases \$25.00
92517	9/14/2000	Increasing fees for lots from \$600 per lot to \$650 and internment overtime rate from a flat \$50 per day to \$75
92114	7/27/2000	Selecting Bain Medina Bain, Inc. to provide cemetery plot layout survey services for \$18,800 and establish \$1,000 survey contingency
89882	6/3/1999	Accepting a \$1,000 grant from the Junior League to provide for the rental of copying equipment to copy and preserve cemetery records
86609	9/11/1997	Increasing lot fee from \$500 to \$550, interment fee from \$200 to \$250, equipment set-up fee from \$90 to \$100, and foundation fee from \$.27 per square inch to \$.30
86489	8/28/1997	Establishing the City as trustee and approving personnel costs associated with the maintenance and upkeep of the graves and the beautification to the income or revenue of the Permanent Fund (See Attachment 4)
70264	9/21/1989	Accepting the proposal of Durand-Hollis Architecture in the amount of \$24,750 for design work on the park improvement, which involved the renovation and enlargement of the office building, repairs and renovation to the maintenance facilities, and construction of lighted parking, fencing and storage areas; and authorizing an additional \$2,475 for the architectural contingency
67912	9/15/1988	Amending lot fees and single grave spaces
65863	10/15/1987	Accepting the bid of Olmos Roofing Contractors, Inc. in the amount of \$11,585 for roof repairs, and establishing a \$1,415 construction contingency
64612	2/26/1987	Approving expenditures related to general care, maintenance and non-operating expenses from interest derived from the Permanent Fund (See Attachment 3)
63234	7/16/1986	Revising lot price of Block 9 to \$350 per grave site, two-site minimum
55813	9/16/1982	Revising lot prices and charges such as adult interments, infant interments, late and weekend services, and various services
45565	8/7/1975	Amending various lot prices and charges for digging graves, opening and closing of graves, and placing monuments and special work on lots
39758	7/29/1971	Amending various lot prices and charges for digging graves, opening and closing of graves, and placing monuments and special work on lots; and City Council may approve expenditures for non-operating expenses to be paid from interest derived from the Permanent Maintenance Fund

Attachment 2

City Ordinances Related to the San Jose Burial Park Fund (Continued)

Ordinance Number	Date of Ordinance	Ordinance
1959 Sec. 9-24	1959	Requiring fund monies to be held in trust by a National Bank in San Antonio, Texas; and approving expenditures for non-operating expenses as especially provided
1950 Sec. 10-28	1950	Creating a Permanent Maintenance Fund for San Jose Burial Park, mandating that all income derived from the sale of lots shall be divided so that 50% shall be placed in said fund
1209	1/5/1940	Creating a Permanent Maintenance Fund for San Jose Burial Park, mandating that all income derived from the sale of lots shall be divided so that 50% shall be placed in said fund; and the sum of \$1,820.22 shall be transferred into the Fund from the 1939 General Fund

Attachment 3

**City Ordinance 64612 – Amends Section 7-53 of the City Code Pertaining
to the Permanent Maintenance Fund of the San Jose Burial Park**

WHEREAS, Article 912a-15, Establishment and Maintenance of perpetual care, of Title 26, CEMETERIES, of THE V.A.T.S. 1984 establishes policies related to perpetual care Trust Fund for cemeteries; and

WHEREAS, said article provides that the net income from such Trust Funds may be used for the general care and maintenance of perpetual care cemeteries, NOW THEREFORE:

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. Section 7-53 of the City of San Antonio City Code, entitled "Permanent Maintenance Fund," is hereby revised in full to read as follows:

There is hereby created a fund which shall be known as the "Permanent Maintenance Fund of the San Jose Burial Park". All income derived from the sale of lots, parts thereof, or single graves, shall be divided so that 50% thereof shall be placed in the Permanent Maintenance Fund of the San Jose Burial Park.

- (a) Permanent Maintenance Fund monies shall be held in trust by a National Bank in San Antonio, Texas, as Trustee.
- (b) The remaining 50% shall be placed in the general fund to assist in defraying current and future operating expenses.
- (c) The City Manager may, when deemed in the best interests, approve expenditures related to general care, maintenance, and non-operating expenses as provided below from interest derived from the Permanent Maintenance Fund:
 - (1) Equipment, materials, and supplies for maintaining accurate cemetery records, and for safety therefor from the elements
 - (2) Development of road network
 - (3) Development of the irrigation system
 - (4) Resetting of tombstones
 - (5) Permanent improvements of cemetery office facilities
 - (6) Cemetery maintenance equipment having a normal use of expectancy of one year or more
 - (7) Any other general care and maintenance expenditures as may be permitted by State of Texas statutes governing the establishment, maintenance, and use of Trust Funds for perpetual care of cemeteries.

PASSED and APPROVED this 26th day of February, 1987.

ATTEST:

City Clerk

M A O R

APPROVED AS TO FORM:

City Attorney

87-11

Attachment 4

City Ordinance 86489 – Amends Section 7-53 of the City Code to Establish the City of San Antonio as Trustee and Define Allowed Expenditures for the Permanent Maintenance Fund of the San Jose Burial Park

WHEREAS, Ordinance No. 64612, passed and approved on February 26, 1987, authorized the current language in the City Code of the City of San Antonio regarding the use of funds in the Permanent Maintenance Fund of the San Jose Burial Park; and

WHEREAS, Chapter 713 of the Texas Health and Safety Code allows a municipality to act as permanent trustee of these funds by enactment of an ordinance by a majority of the municipality's governing body; and

WHEREAS, Chapter 713 also allows the income or revenue of the trust that is more than the amount necessary to accomplish the maintenance and care of the grave, lot, or burial place for which the funds were deposited to be used, in the discretion of the trustee, to beautify the entire cemetery or burial grounds, generally; and

WHEREAS, over the passage of time the percentage of lots in the San Jose Burial Park for which funds have been paid into the Permanent Maintenance Fund has grown such that income from sale of new lots no longer sufficiently covers maintenance of the general cemetery grounds in the areas of the Park which are predominately filled with already sold gravesites and it has become necessary to allocate additional personnel and resources to these areas of the Park; and

WHEREAS, it is now necessary to amend the language in Section 7-53 to establish the City as trustee of and better define the expenditures allowed under the Permanent Maintenance Fund of the San Jose Burial Park; **NOW THEREFORE:**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

Section 1. Section 7-53 (a) of the City Code of the City of San Antonio is hereby amended to read as follows:

- (a) Permanent Maintenance Fund monies and any income earned thereon shall be held in trust by the City of San Antonio.

Section 2. The first paragraph of Section 7-53 (c) of the City Code of the City of San Antonio is hereby amended to read as follows:

- (c) The principal of the fund shall be kept intact as a principal trust fund and shall not be expended. The income or revenue of the fund shall be used for the maintenance and care in a first-class condition of the graves, lots, and burial places for which the funds were deposited. Income or revenue of the fund that is more than the amount necessary to faithfully accomplish the trust may be used, in the discretion of the City Manager, for expenses as provided below both for the care and maintenance of the graves and to beautify the entire cemetery and burial grounds:

Attachment 4

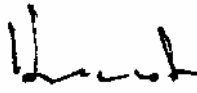
City Ordinance 86489 – Amends Section 7-53 of the City Code to Establish the City of San Antonio as Trustee and Define Allowed Expenditures for the Permanent Maintenance Fund of the San Jose Burial Park (Continued)

Section 3. Section 7-53 (c) of the City Code of the City of San Antonio is hereby amended to add a section (8) as follows:

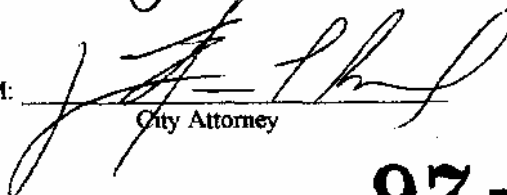
- (8) Personnel, labor, and contractual commodity costs associated with the maintenance and upkeep of the graves and the beautification of the San Jose Burial Park.

Section 4. This ordinance shall become effective on and after the tenth (10th) day after passage hereof.

PASSED AND APPROVED this 28th day of August, 1997.

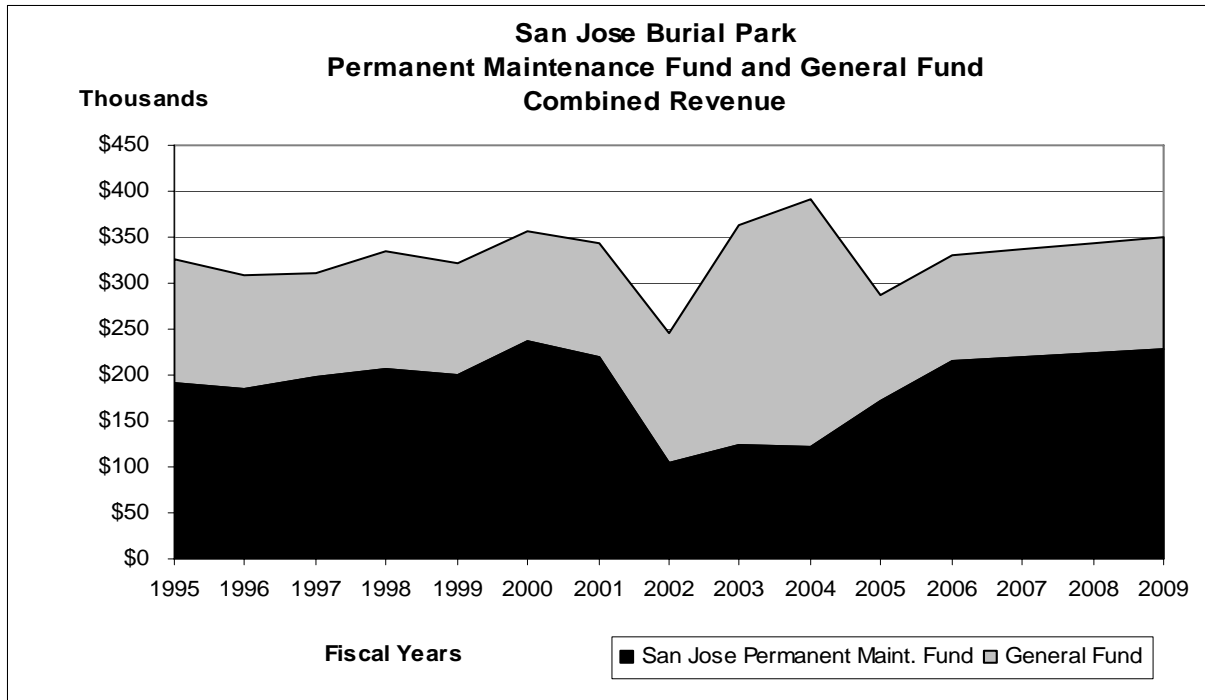

M A Y O R
Howard W. Peak

ATTEST: 
City Clerk

APPROVED AS TO FORM: 
City Attorney

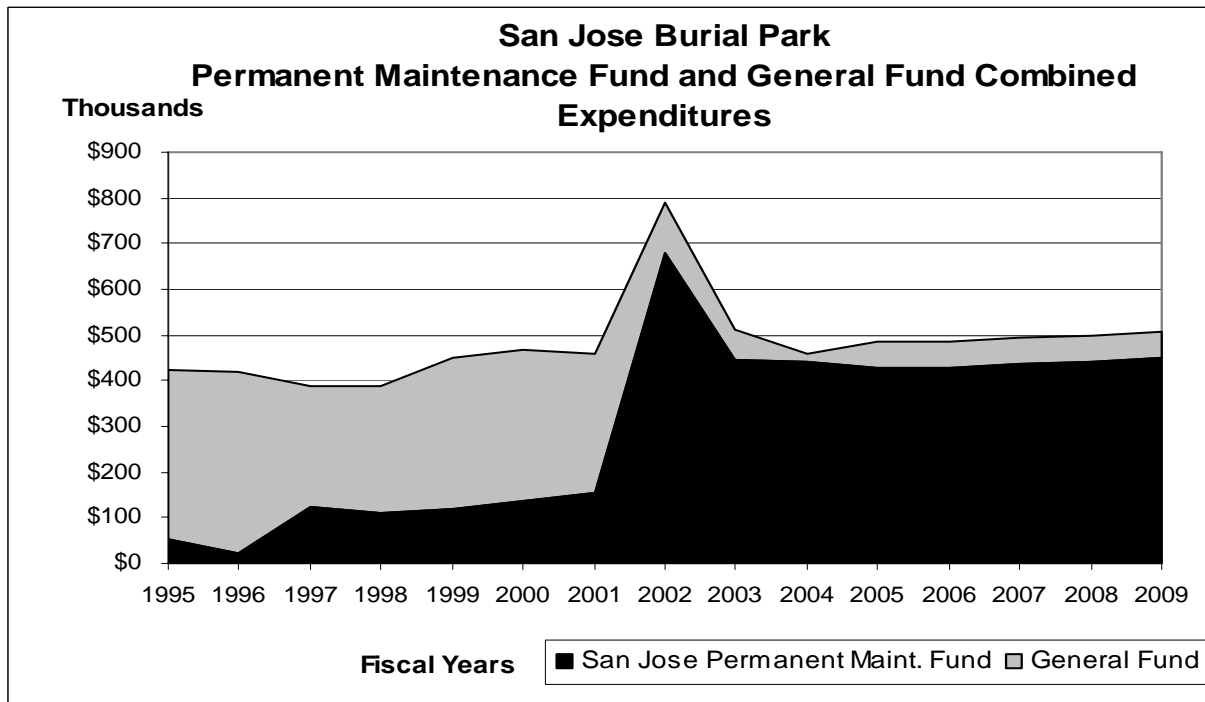
97-35

Attachment 5A



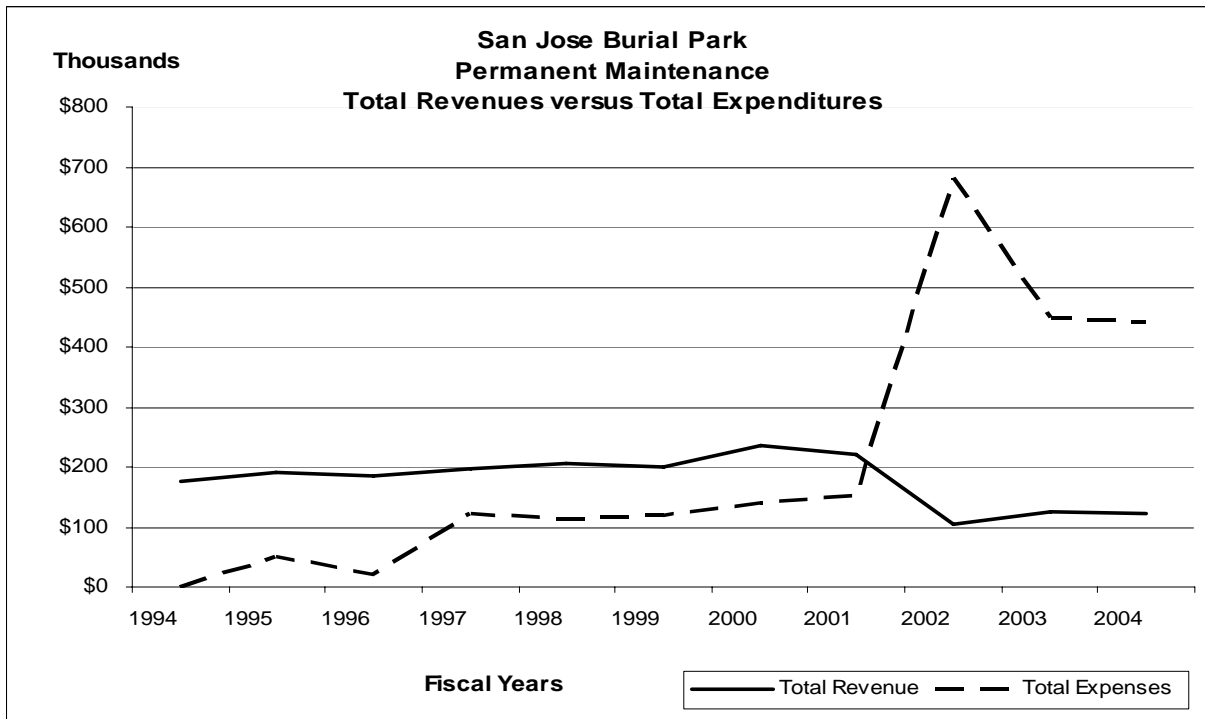
Source: FAMIS Report No. 66 - Revenues and Expenditures by Fund and Project for fiscal years 1995 through 2004
Proposed Budget for fiscal years 2005 through 2009

Attachment 5B



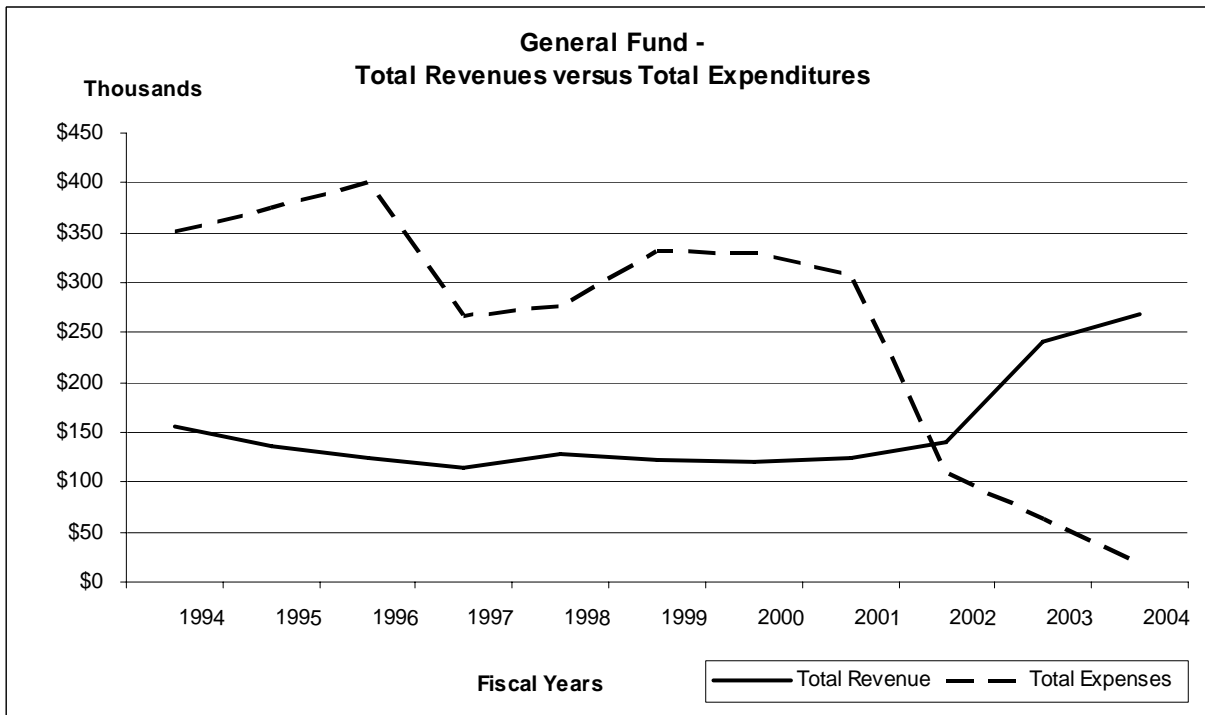
Source: FAMIS Report No. 66 - Revenues and Expenditures by Fund and Project for fiscal years 1995 through 2004
Proposed Budget for fiscal years 2005 through 2009

Attachment 5C



Source: FAMIS Report No. 66 - Revenues and Expenditures by Fund and Project for fiscal years 1994 through 2004

Attachment 5D



Source: FAMIS Report No. 66 - Revenues and Expenditures by Fund and Project for fiscal years 1994 through 2004

Attachment 6

Risk Management Capability Matrix

The Risk Management Capability Matrix below outlines the characteristics of each capability needed for effective risk management:

Strategies Capabilities

Stage	Strategies/Objectives	Goals	Policies
Ad Hoc	No formal <i>strategies</i> or <i>objectives</i> exist.	Annual <i>goals</i> are either not developed, or are poorly communicated to employees.	<i>Policies</i> , if any, are broad and general.
Repeatable	Informal <i>strategies</i> or <i>objectives</i> exist, but are not broadly understood.	Annual <i>goals</i> are established, but are either not broadly understood or are assumed to apply only to management.	Some <i>policies</i> exist, but they are not consistently applied and enforced throughout the company.
Defined	Some formal <i>strategies</i> and <i>objectives</i> exist, but they are not aligned across different areas of the company.	Annual <i>goals</i> are well defined and understood, but measurement of goal achievement is not well understood or articulated.	<i>Policies</i> are well defined and communicated, but many are out-of-date or misaligned with current strategies and objectives.
Managed	Formal <i>strategies</i> and <i>objectives</i> exist and some measurements of success are established, but strategies and objectives are not consistently reviewed and updated based on changing business conditions.	Annual <i>goals</i> are formalized and measurable, but the goals are not reviewed periodically throughout the year to ensure they still align with the broader strategies and objectives of the company.	<i>Policies</i> are clear, generally current, and consistently enforced, but there is no articulation of management's broader risk-taking philosophy.
Optimized	<i>Strategies</i> and <i>objectives</i> are consistently reviewed and enhanced to ensure they remain current, and success is consistently measured and evaluated.	<i>Goals</i> are reviewed periodically throughout the year to ensure they continue to make sense and are consistently aligned with the company's goals.	<i>Policies</i> are consistently updated and enforced, and clearly outline management's overall risk tolerance.

Process Capabilities

Stage	Procedures	Controls and Process Improvements	Metrics
Ad Hoc	No formal <i>procedures</i> exist.	<i>Controls</i> are either non-existent, or are primarily reactionary after a "surprise" within the company.	There are no <i>metrics</i> or monitoring of performance.
Repeatable	Some standard <i>procedures</i> exist.	Detective <i>controls</i> are relied upon throughout the company.	Few performance <i>metrics</i> exist, thus there is infrequent monitoring of performance.
Defined	<i>Procedures</i> are well documented, but are not regularly updated to reflect changing business needs.	Both preventive and detective <i>controls</i> are employed throughout the company.	Some <i>metrics</i> are used, but monitoring of performance is primarily manual.
Managed	<i>Procedures</i> and <i>controls</i> are well documented and kept current.	Best practices and benchmarking are used to <i>improve</i> process in certain areas of the company.	Many <i>metrics</i> are used, with a blend of automated and manual monitoring of performance.
Optimized	<i>Processes</i> and <i>controls</i> are continuously reviewed and <i>improved</i> .	Extensive use of best practices and benchmarking throughout the company helps to continuously <i>improve</i> processes.	Comprehensive, defined performance <i>metrics</i> exist, with extensive automated monitoring of performance employed.

Source: Auditor's Risk Management Guide: Integrating Auditing and ERM by Paul J. Sobel, CPA, CIA

Attachment 6
Risk Management Capability Matrix (Continued)

People Capabilities

Stage	Experience and Competence	Direction and Development	Authority and Accountability
Ad Hoc	<i>Inexperienced</i> personnel in most areas; no formal training programs are followed.	In most areas of the company there is little job guidance or other formal <i>direction</i> .	<i>Vague or conflicting authority and accountability</i> across business areas throughout the company.
Repeatable	<i>Competent</i> personnel in most areas; limited training; many functions tend to be under or over-resourced.	Some understanding of the basic job requirements in most areas, but still not much formal <i>direction</i> from management.	Lack of clear <i>authority and accountability</i> across business areas throughout the company.
Defined	<i>Experienced</i> personnel in most areas, but limited bench strength.	Job responsibilities and skill requirements are defined for all areas, but career <i>development</i> focus is lacking.	<i>Authority and accountability</i> are defined across the company, but not broadly or consistently understood by all affected areas.
Managed	<i>Strong</i> team in place with adequate bench strength in most areas.	A formal <i>development</i> program exists company-wide, with focus on both enhancing existing skills and developing new skills.	Clear articulation of <i>authority and accountability</i> , and consistent understanding among all affected areas.
Optimized	Formal succession planning and integrated resourcing program ensure <i>multiple sourcing options</i> for all key positions throughout the company.	Cross-training programs provide <i>job enrichment</i> opportunities for all employees and <i>multiple sourcing options</i> for all key positions.	A culture of empowerment engages employees throughout the company in exercising the <i>authority and accountability</i> they have been granted.

Technology Capabilities

Stage	Integration	Enhancements	Security
Ad Hoc	Limited, <i>stand-alone</i> systems and technology.	System and technology <i>enhancements</i> are rarely done unless they crash or are proven to be obsolete.	Lax to nonexistent technology infrastructure throughout the company for physical and logical <i>security</i>.
Repeatable	Viable, but <i>non-interfacing</i> systems and technology.	System and technology <i>enhancements</i> consistently trail business needs.	Limited technology infrastructure, resulting in inconsistent application of physical and logical <i>security</i> across the company.
Defined	Systems and technology are adequate to meet most of the company's current business needs, but most do not <i>interface</i> .	System and technology <i>enhancements</i> are typically reactive to business changes, but are implemented timely.	A formal technology infrastructure exists company-wide, but some physical and logical <i>security</i> exposures exist in certain areas.
Managed	Systems and technology are mostly <i>integrated</i> , effectively meeting most current business needs, and should be adequate in the near-term.	System and technology <i>enhancements</i> are planned to be proactive, and are generally implemented effectively.	A sound and formal technology infrastructure exists, and physical and logical <i>security</i> is generally effective throughout the company.
Optimized	Fully <i>integrated</i> systems and technology effectively enable the business and are generally considered a competitive advantage.	Systems and technology are <i>continuously improved</i> to maintain the competitive advantage.	A strong technology infrastructure exists, with best practice physical and logical <i>security</i> procedures operating throughout the company.

Source: Auditor's Risk Management Guide: Integrating Auditing and ERM by Paul J. Sobel, CPA, CIA